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# Intelligence Memorandum

*Prospects for UNCTAD IV*

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## Prospects for UNCTAD IV

### Summary

The 7th Special Session of the UN General Assembly last September revealed new willingness on the part of the developed and developing countries to avoid extremist posturing in addressing issues of mutual concern. Led to a great extent by the US, the developed states agreed to consider the specific demands of the developing countries, and at least for the time being the latter agreed implicitly to restrain their campaign for a radical restructuring of the international economic order.

The special session also inaugurated a new effort by the rich and poor states to sort out positions within—as well as between—their respective groups on major international economic issues. This process will be carried out mostly in multilateral forums, although bilateral relationships between the participants on both sides—especially with the US—will also play an important role.

The near-term culmination of this stocktaking process will come at the fourth quadrennial plenary meeting of the UN Conference on Trade and Development (UNCTAD) in Nairobi, Kenya, from May 3 to 28. UNCTAD meetings in the past have served to crystallize developing country views which UNCTAD's Secretariat has consolidated into policy positions. If the UNCTAD forum can avoid a return to the confrontational atmosphere which characterized the period preceding the 7th Special Session of the UN, significant progress will have been made toward establishing a relationship between rich and poor states that may help defuse rather than escalate existing tensions.

For this to occur, substance will have to be given to the verbal agreements reached at the UN in September. Efforts will be made in various international commodity negotiations, the GATT trade talks, the newly established Conference on International Economic Cooperation, and the meetings held by both sides to prepare for the UNCTAD plenary. The developed countries will focus their policy coordination efforts in the OECD. The developing countries will continue to meet as the Group of 77, first in a series of regional meetings and then in a plenary caucus of the 100-plus members in Manila.

*This memorandum was prepared in the Office of Current Intelligence and coordinated within the Central Intelligence Agency. Comments and queries may be addressed to*

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The discussions between now and the Nairobi meeting will be a barometer of how the relationship between the two sides is evolving. The developing countries continue to feel that their present situation is in large part due to forces over which they have had no control and which are, for many, a legacy of colonization. For many of the industrialized states, the issue comes down to an intolerable demand that they transfer wealth and economic power to the developing world.

Moderating these underlying attitudes, however, is the deepening awareness of many developed countries that they are acutely dependent on raw materials, some of which are primarily exported from developing countries. For the developed states, OPEC's success is adequate proof of the need to cooperate. At the same time, many of the developing states recognize for their part that the US and other industrial powers must be an integral part of the development process and not the object of self-defeating threats.

The shift in US policy set forth at the 7th Special Session continues to raise questions for both the developed and developing countries. There is genuine pleasure on both sides, but the full impact of the shift has yet to be fully analyzed by most, and few have adjusted their own policies in response to it. Most developing countries think that the US proposals are a move toward satisfying some of their demands. Many would probably be willing to forgo pressing for still further concessions if tangible benefits resulted from implementation of the US proposals. If concrete benefits are not apparent soon, however, the arguments expounded in the past by such states as Algeria about the "futility" of cooperation could gain force and encourage a return to the more aggressive tactics that were followed before the 7th Special Session.

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### **LDC Approach to International Economic Meetings**

The rhetorical truce that has prevailed since the 7th Special Session is likely to continue at least until May, when the fourth session of the UN Conference on Trade and Development will meet in Nairobi. Whether it survives that meeting will largely depend on how far the developed countries agree to move toward implementing those commitments which the developing countries feel were made at the special session. Although occasionally reverting to the maximalist positions of the Sixth Special Session (May 1974), the developing countries on the whole have adopted a wait-and-see attitude. But they expect specific agreements to come out of UNCTAD IV, and another compromise resolution—like that which ended the 7th Special Session—will not be sufficient to maintain a cooperative atmosphere.

The developing countries have in the meantime, signaled—notably at the General Assembly—that the truce on economic relations does not necessarily extend to other matters. Although the 7th Special Session, which ended on the morning the regular General Assembly began, was a bright spot in developed-developing country amity, the General Assembly session itself was nevertheless the most divisive and damaging in the organization's history. Any thought that compromise in the economic arena necessarily leads to political moderation has in consequence been thoroughly discredited. An unproductive UNCTAD session this May would probably exacerbate political tensions still further and make future UN debates on such matters as the Middle East even more bootless.

### **LDC Pressures for a Successful UNCTAD IV**

The developing countries have approached every economic meeting since the special session as a prelude to UNCTAD IV—an indication of the importance they attach to the organization and to this meeting in particular.

Of the 16 intergovernmental agencies and organizations associated with the UN, UNCTAD is viewed by the developing countries as the most responsive to their problems and political initiatives. UNCTAD has always been a highly politicized forum—in fact it gave rise to the recognized caucuses within the UN system. The General Assembly resolution that set up UNCTAD in 1964 as a permanent organ of the assembly formally established the four UN regional groups: Group A (the Asians and Africans), Group B (the developed countries), Group C (the Latin Americans) and Group D (the socialist states). Groups A and C, after their individual caucuses, coordinate together as the full Group of 77. The membership has since increased to

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about 105 from the original 77 countries that signed the "joint declaration" applauding the achievements of the first UNCTAD conference. The Group of 77 has never formally established an organizational structure, but there have been suggestions that UNCTAD be asked to provide it with such support.

Other considerations besides close identification with UNCTAD's purposes and "ideology" also influence the developing countries' approach to UNCTAD IV. Not least of these is the desire to preserve the clout they have gained in the UN and its agencies in recent years. Although most developing countries have refrained from criticizing the Conference on International Economic Cooperation which convened last month in Paris, they think its restricted membership—eight of the 27 participants are developed countries, seven are OPEC members and 12 are other developing countries—is a threat to solidarity among the poor and to fair representation of the diverse interests involved. If limited participation is not to become standard for future economic talks, UNCTAD IV, with its 140 participants, must demonstrate that universality is not necessarily an obstacle to productive debate and achievement.

The developing countries are accordingly sensitive to any perceived attempt to make UNCTAD an arena restricted to the technical scrutiny of issues placed before it. The developing states point to the steps that have already been taken to ensure that UNCTAD IV will be an effective negotiating forum: the session has been shortened and the agenda limited, and the meeting in March of the Trade and Development Board—UNCTAD's semi-annual continuing forum—has been planned to further refine the agenda and focus some of the remaining contentious issues. If UNCTAD IV dissolves into acrimonious and unproductive debate, the developing countries feel it will be due less to their own intransigence than to lack of commitment to serious negotiations on the part of the industrialized countries.

By raising their demands now in every trade and development-related forum, the developing countries apparently believe that they enhance prospects for achieving their goals at UNCTAD IV. At the same time, they have moderated their language lest premature clashes preclude the results they want in their fields of major concern: commodities, trade in manufactures, and the problems associated in particular with their mounting external debts.

#### **Divisions within the Developing Countries**

Moderation has not, of course, claimed unanimous support. The radicals—primarily the Algerians, Cubans and some Africans—have tried at every recent UN economic meeting to disrupt the dialogue of cooperation

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achieved at the special session. The personal intervention of the radicals' high-powered spokesman, Algerian Foreign Minister Bouteflika, is still sufficient to mobilize support behind uncompromising stands. In fact, whether Bouteflika continues to wield such influence—and there are indications that it might be waning—may in large part determine where the Group of 77 comes down. The Third World is still moved more by personalities than by programs and, until now, no moderate leader has emerged with the stature of a Bouteflika or Mexican President Echeverria.

Despite the radicals' repetition of their customary calls for a new international economic order, the moderates have thus far succeeded in preserving a cooperative stance—more by remanding every controversial economic issue to UNCTAD IV than by resolving it. They apparently continue to hope that the full Group of 77 ministerial meeting in Manila later this month will ratify an accommodating approach.

#### **Recent Economic Meetings that Point to UNCTAD IV**

The General Assembly this fall was largely successful in avoiding polemics on most of the issues on its economic agenda, invoking the spirit that characterized the special session.

An exception was the review and appraisal of the International Development Strategy (IDS). The IDS was adopted by the General Assembly in 1970 as the basis for the UN's second development decade (1970-80). It has generally been accepted by both the rich and poor countries, and most of them were reluctant at this stage to reopen debate on its failures. The radicals, nevertheless, not only forced the General Assembly's economic committee to take up the issue but also succeeded in persuading the Group of 77 to propose so imbalanced a resolution that some developed countries announced they could not support it. Only with considerable difficulty did the moderates within the movement ultimately prevail and succeed in toning down the group's resolution.

The moderates were less successful in asserting themselves at last month's Conference on International Economic Cooperation. The less developed countries generally consider the Paris conference and UNCTAD IV to be closely related, and have frequently urged that the two support and strengthen each other. At the same time, they insist that UNCTAD not be downgraded by the Paris meetings. They are—as noted—suspicious of the Conference on International Economic Cooperation because of its limited membership, and they think that it may take one or two years to produce results.

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After last month's session, it is even less likely that most less developed countries will view the Paris talks as an auspicious prelude to UNCTAD IV. The seven OPEC members of the Paris conference virtually ran the show on the developing country side. They gained for themselves all but one of the co-chairmanships allotted to their representation on the four working commissions set up to discuss the conference's substantive issues: energy, raw materials, development, and finance. Moreover, Algerian Foreign Minister Bouteflika—leading his country's delegation—successfully maneuvered the other developing countries into supporting the radicals' insistence that the four working commissions concentrate on the prime concerns of developing countries. Foremost among these concerns is a link between the price of oil and other raw material exports on the one hand and prices for imported manufactured goods on the other—i.e., indexation.

The developing states that do not export oil or other major raw materials are by no means happy with this focus, fearing that their own interests will not be represented as fully as those of the OPEC states. Algeria's fellow OPEC member, Saudi Arabia, has also resisted attempts to institutionalize an indexing scheme because its need for higher oil prices is less than that of producers whose oil reserves are smaller and whose populations are greater.

The less developed countries in Paris nevertheless appreciate the importance of a united front against the developed countries. Dissatisfaction with Algeria's high-handedness may suggest that Bouteflika's removal from the negotiating scene would result in more flexible negotiating positions. A challenge to Algerian control may in fact be implicit in the attempts to institutionalize coordination among all the developing country participants for a common, developing country position.

Until now the developing countries tended to attach greater importance to the UNCTAD meeting than to the Conference on International Economic Cooperation and its commissions, even though meaningful negotiations on North-South issues are more likely to emerge from the latter forum. From UNCTAD they expect immediate results—if not on the whole range of their demands—at least on some of the major ones. And most do not feel they can afford to wait for relief until the intensive negotiations in the Conference on International Economic cooperation are concluded, possibly in two years.

Because this conference in the long run is likely to be the more important, however, it will place great strains on developing country solidarity. Once the commissions agree on their agendas and get down to serious

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negotiations, the OPEC states will have to decide whose interests they are going to defend—their own or those of the majority of developing countries who have economic problems different from those of most OPEC members. In the crunch, Third World solidarity is likely to lose out to OPEC self-interest, though such strains are unlikely to surface before May.

#### **Developing Country Preparations for UNCTAD IV**

The one lesson the less developed countries appear to have learned from the 7th Special Session is the importance of coordinating their positions and adopting specific policies. (One of the reasons for Algeria's preeminence in the Third World has been the consistently high caliber of the negotiating teams it sends to international meetings and the detailed preparation it carries out for every meeting. Most other less developed countries are unable to match it, either in expertise or available personnel.)

The developing countries have set up four working groups to develop common positions for UNCTAD IV. The groups are unlikely to have completed all their work by January 26, when the full ministerial meeting of the Group of 77 convenes in Manila. Additional meetings—of both the full group and the regional groups—may consequently be needed.

The four groups reflect the primary concerns of the less developed countries and what they hope is attainable. The first, headed by Nigeria, is concentrating on problems of international trade. Two of the major less developed country concerns—higher and more stable prices for commodities and improved access for manufactured exports—will be considered by this group. The second group—money and finance—headed by Iraq, will focus primarily on the debt issue and the prospects for increased aid. Brazil will chair the committee on invisible transactions—concentrating mainly on a code for the transfer of technology. Ecuador will head a working group on the special problems of the landlocked and least-developed developing states—countries that continue to be neglected in most decisions of the 77.

The major area of concern is trade in commodities. It is also the issue on which the Group of 77 is itself most divided, largely because of differing levels of development. The Africans are still primarily exporters of raw materials and are therefore emphasizing programs that stabilize the prices of primary products. The Latin Americans, for the most part at a higher level of development, are primarily stressing access to the markets of the developed countries for their manufactured products. The Asians—with widely varying levels of development within their region—are somewhere in between the other two groups.

The developing countries were not able to arrive at a common position at a recent UNCTAD meeting on commodities. Lacking this, they have largely confined their demands to reiterating the need for the developed countries to use commodity policies to transfer real wealth to them. The disagreement within the Group of 77 on this issue gives the developed countries some latitude in formulating commodity policies. A forthcoming position that, for example, met the desires for some stabilization of export earnings might enable the moderates to bring the whole group along.

The absence of any movement on the commodities issue will, on the other hand, lead to renewed calls for implementing UNCTAD's integrated program—basically an income stabilization and indexing scheme with its own common fund for commodity programs. The developing countries themselves recognize that the program is not the answer to all their problems. It would, for instance, require some mechanism to neutralize the adverse impact of indexation on developing country importers of raw materials. But, so far, it is the only coherent program the poorer countries have been able to devise, and in the absence of anything better, they will probably accelerate their demands for its implementation.

Movement on some of the other issues on the UNCTAD agenda will probably not compensate for lack of movement on commodities, but it could prevent a total breakdown in negotiations. The developing countries will demand some alleviation of their debt burden, even though the major industrial creditor states oppose considering this issue at UNCTAD IV.

Specifically, the industrial states oppose the UNCTAD Secretariat's recommendation that the debt problem be resolved by an across-the-board rescheduling of debts, rather than by the traditional case-by-case approach. The developed states argue that this would penalize the more credit-worthy debtors and discourage fiscal responsibility, with the result that developing states' access to private foreign capital markets is ultimately limited.

Although the balance of payments difficulties of many developing countries—the other side of the debt coin—is due to the price of oil, this aspect of the debt problem is not likely to be as freely aired as other problems that can be blamed on the industrialized countries.

Approval of a UN code on the transfer of technology is also a major objective of the developing countries. A recent meeting on the code was “upbeat” in its conclusions largely because the developing countries really expect some movement on it at UNCTAD IV. The rich and poor remain split over the kind of commitment involved in the proposed code, however. The

less developed countries want it legally to bind the advanced countries to furnish information on technical processes; the advanced states will accept no more than broad guidelines for transferring technology. There are indications that moderates among the developing countries are prepared to tone down the code to obtain the developed countries' approval.

### **Disarray Among the Developed Countries**

Having the most to demand, the developing countries have a certain unity that still escapes the developed states in their approach both to the UNCTAD meeting and to development issues in general. Despite the elaborate machinery they have set up within the OECD to devise policies, they have not thus far gone much beyond adopting a defensive posture towards indexation, unregulated nationalization, raw materials cartels, and free transfer of technology.

The developed countries have a variety of reasons—including assured access to raw materials, the need for export markets, the hope for political influence, and popular domestic support for foreign aid—for trying to meet the Third World's aspirations. Each country is motivated differently, however, and balancing national needs against willingness or ability to pay the price produces widely different judgments of what constitutes a correct common policy for all.

If the resulting approach is mostly defensive, it is largely because many governments in the hard-pressed industrialized world do not feel in a position, politically or financially, to make commitments on the order required for many of the programs advocated by the developing states. Thus they face the problem of trying to satisfy the demand for a real transfer of wealth without having to pay the bill. And the belief that prospects are dim for early resumption of the rapid rates of economic growth of the past make it more difficult to argue that the poor countries will gain from a more or less constant share of an expanding global product.

The other developed countries see ambiguity in US policies, or at least intentions, toward the developing world. This perception does not help the coordinating process, since the other industrialized states, even while trying to establish their own development policies, still deem US leadership essential. Less than a year ago most developed and developing countries felt that the US was advocating an uncompromising position at the second general conference of the UN Industrial Development Organization

(UNIDO). No other state voted then with the US in opposition to the conference's declaration and only seven industrialized states abstained. In contrast, virtually all countries welcomed what they saw as a US policy shift at the UN special session. Nevertheless, the Europeans and others claim that it is not clear how much backing the US will ultimately give to implementation of the suggested programs.

### **European Perspectives**

The Europeans in particular, regardless of the constraints they feel on their "generosity," seem to recognize that new ideas will be needed to counter developing country demands at Nairobi and in the Paris international conference. The European Community has in the past—largely through its generalized preferences scheme and the trade-aid arrangements set up by the Lome Convention with 46 African, Caribbean, and South Pacific states—broken new ground in relations with the Third World. But it will be hard pressed to overcome its internal differences and frame a global policy without being assured that the US is moving in a compatible direction.

The problems the EC faces in establishing a policy on raw materials and development are important not only because they illustrate the range of options available to developed countries in general, but also because lack of agreement among the Nine delays progress within the OECD. It is nevertheless clear that all the Nine remain committed to presenting a common position.

The Dutch have consistently been the most responsive to developing country demands. The Hague does all it can to move the EC and the OECD in this direction, and when unsuccessful, has at times broken ranks with its partners in support of accommodating policies. At the recent meeting of the UNCTAD commodities committee the Dutch went so far as to ask the Nordic delegates to present proposals that the Hague had not been able to get the EC to agree on. Nevertheless, the Dutch are not likely ultimately to block efforts to achieve a community consensus unless they think that policy absolutely uncompromising.

The Dutch and Nordic support for developing countries causes seems based, more so than in other developed countries, on ethical convictions that insist on a more equitable distribution of the world's wealth. This support is not just rhetorical; these states come closest among all the developed countries to meeting the demand that 0.7 percent of each industrial country's gross national product be dedicated to developmental aid.

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Dutch policy contrasts with the West German, which continues to be the least accommodating despite Bonn's intensive effort during the past year to expand political and economic relations with the developing countries. One reason for this is that the Schmidt government's various motivations for improving relations with the developing countries are not completely compatible and have fostered bureaucratic infighting over how the slowly emerging policy should be shaped.

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Paris in many respects occupies the middle ground between Bonn and the Hague. The importance that France attaches to its economic and political influence with the Third World underlies the French position, and Paris has been willing to acquiesce in many LDC demands when it would help secure its position in raw material markets. While strongly favoring commodity arrangements, the French have nevertheless continued to oppose indexation schemes and are among the most conservative on the issue of transfer of technology. Thus while in the vanguard of those calling for cooperative action with the developing states, France will continue to be both the most willing to break ranks with other developed countries on some points and the most stubborn [ ] in resisting demands of the developing states on others.

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The UK has been perhaps the most willing of the industrialized countries to search for compromise approaches to the developing countries.

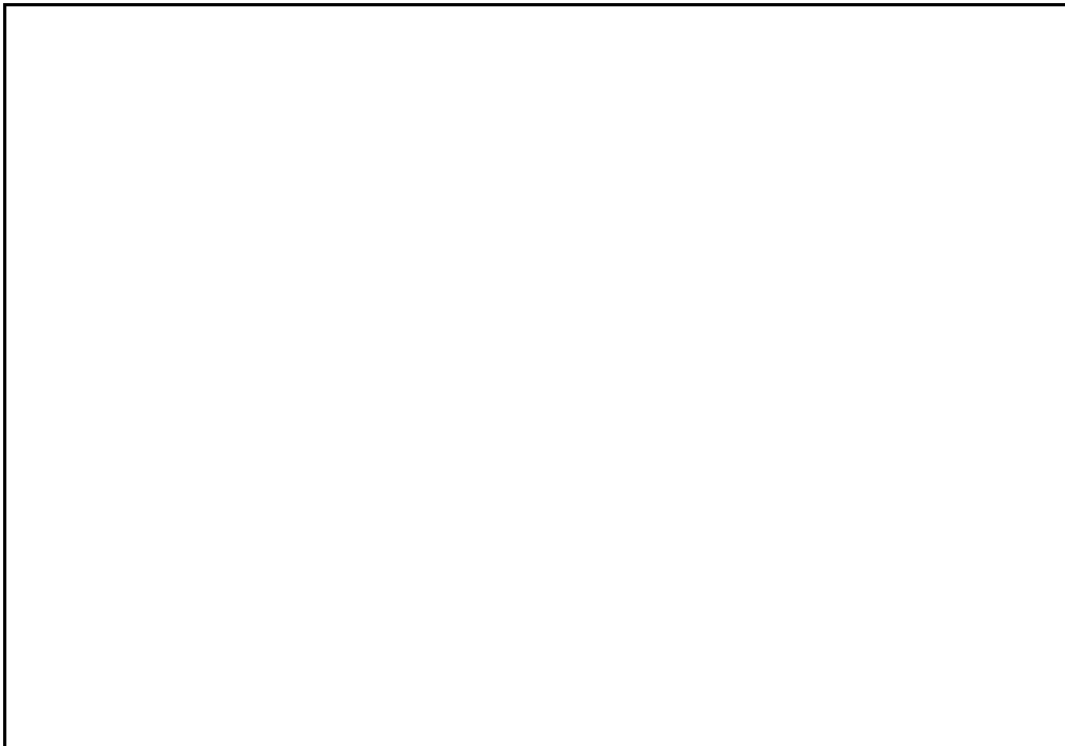
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Generous proposals made by Foreign Minister Callaghan to the Commonwealth foreign ministers last spring led to little of substance, however, even though some of his concepts have reappeared in other forums. The British may in fact now be preparing new proposals on raw materials issues in hopes of averting a clash at UNCTAD IV.

On balance, London's efforts have met with little success. The commonwealth partners are reluctant to let London appear to "lead" the commonwealth. The developed countries probably believe that the British proposals are too expensive. Caught between the West German and the Dutch positions, London has also been unable to make much of an impact on its EC partners.

In addition to a heavy dependence on imports of raw materials, the UK has a strong sense of responsibility towards the neediest of the developing countries, several of whom are in the commonwealth. Given Britain's financial constraints, London's two-pronged policy of leading the search for compromises and providing aid to those states with the closest traditional ties probably represents the most generous policy Britain can realistically pursue.



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### Communists on the Sidelines

China's contribution to the UNCTAD meeting in Nairobi will also be largely rhetorical. Over the past year, Peking has given fairly explicit endorsement to the efforts toward a lessening of economic tensions, reflecting Chinese concern that Western Europe—the front line against the Soviets—would be weakened the most by renewed world economic disorders. Such apprehensions may be translated into somewhat less inflammatory Chinese speeches in Nairobi and, perhaps, quiet Chinese encouragement for less radical developing nations.

On the whole, however, Peking's approach to global economic issues remains predicated on a belief that a unified Third World serves to diffuse superpower influence on the world scene and to create openings that China can exploit to increase its own prestige and influence. The Chinese will thus probably regard the UNCTAD meeting as just another forum in which to blame the superpowers for Third World economic ills, to warn of continued superpower—primarily Soviet—efforts at global economic domination, and to express Chinese support for the economic aspirations of the poor. Peking, however, will be wary of being drawn into any mechanisms or agreements arising from the Nairobi meeting that would require significant financial contributions or the surrender of China's right to pursue its own interests in world markets.

Chinese calls for "self-reliance," which most developing states feel is unrealistic and a transparent dodge for Peking's non-participation in international development efforts, have convinced most developing states that China's stand in forums such as UNCTAD is irrelevant to their disputes with the industrialized world.

In the period leading to UNCTAD IV, Soviet policy is likely to continue to reflect both public support of the Third World's striving for economic independence and private contempt for initiatives not bearing Moscow's stamp.

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Soviet media consistently took the line during and after the recent UN special session that Moscow backed developing-countries' efforts to defend their natural resources against the predatory designs of Western multinational corporations. Soviet economic activity in the Third World was portrayed as entirely disinterested.

The Soviets object to the rejection by the developing countries of Moscow's linkage of economic independence for developing states with Soviet policies of detente and disarmament. The Soviets also are embarrassed by the developing countries' penchant for dividing the world into rich and poor—or even North and South—and thus lumping together the socialist and capitalist countries. In response, Moscow tends to characterize Western conciliatory attitudes as a maneuver intended to perpetuate economic colonialism.

The Soviets nevertheless remain sensitive about their stand on development issues. During a debate at the 30th General Assembly the Soviets opposed a reiteration of the demand for "The New International Economic Order." The Soviet delegate evidently would have preferred, as do most other industrialized states, that the reference be more general. After a scathing public attack by the Chinese delegate, who accused Moscow of selling out the interests of developing countries, and joining forces with the industrialized West, the Soviets backed down.

The Soviets have apparently decided to disregard or pay only minimal attention to UN forums on economic problems. Moscow will instead focus its propaganda to the Third World on the "accomplishments" of international gatherings sponsored by such front groups as the World Peace Council and at the same time emphasize the benign effect of Soviet economic policies on developing countries.

Privately the Soviets will couple this propaganda with statements signifying interest in third-world problems in order to demonstrate that their interests as a great power are world-wide. Moscow's gestures will not be considered responsive, however, to third-world demands.

The Soviet line will be backed by most of Moscow's East European clients even though some see themselves as sharing many of the growing pains of the developing nations. The Balkan maverick states, however, can be expected in various ways to picture the USSR as a "have" nation merely paying lip service to the problems of the "have-nots."

Romania will play a particularly troublesome role for Moscow because Bucharest's attacks on neo-colonialism will be open-ended but implicitly include the USSR.

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Although Yugoslavia will be preoccupied with improving its position among the nonaligned, it will on balance be a moderating influence on third-world stands. The Yugoslavs resent Moscow's use of the Third World as a propaganda issue and the Soviet denigration of Belgrade's nonaligned views. The Yugoslavs will in fact be inclined to play up Moscow's super-power status to the other developing nations whose diplomatic support Yugoslavia may need if the Soviets threaten.

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